

RIVERDALE CITY

June 30, 2006

Financial Statements

(With Auditors' Report)

**LITZ &
COMPANY**

*Certified Public Accountants
A Professional Corporation*

RIVERDALE CITY

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Independent Auditors' Report

**Honorable Mayor and City Council
Riverdale City, Utah**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Riverdale City as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Riverdale City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2006, on our consideration of Riverdale City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Riverdale City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and statistical section are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Riverdale City's basic financial statements. The supplemental information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Riverdale City. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Litz & Company, P.C.

October 1, 2006

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Riverdale City, Utah

Management's Discussion and Analysis

for fiscal year ending June 30, 2006

INTRODUCTION

The following is a discussion and analysis of Riverdale City's financial performance and activities for the fiscal year ending June 30, 2006. Beginning in fiscal year 2004, the City implemented new financial reporting standards established by GASB (the Governmental Accounting Standards Board). These new standards significantly changed the content and structure of the financial statements.

HIGHLIGHTS

Some of the businesses that joined the City in this fiscal year were Wendy's, Lucky Buffet, FYE, JoAnn's, Les Schwab, and Chevron/Zuppanini's. New residential construction numbers were nearly the same as the previous year. Permits for single family dwelling homes were 27 for the current year and 28 for the previous year. The State Legislature passed Senate Bill 35 which will have a significant impact on the City's finances. This bill modified the calculation of Sales Tax distribution, resulting in less of the sales tax being distributed to Riverdale City. This change will affect the City beginning July 1, 2006.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the City's Basic Financial Statements. The Basic Financial Statements includes three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the Basic Financial Statements, this report also contains other supplementary information.

The government-wide financial statements are comprised of: 1) the Statement of Net Assets, and 2) the Statement of Activities. These two statements provide a broad overview of the City's finances. The Statement of Net Assets shows the overall net assets of the City. Over time, increases and decreases in net assets are one indicator of the City's overall financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (governmental activities) along with other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities).

Riverdale City's business type activities include water, sewer, garbage and storm water operations.

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to keep track of specific resources that are segregated for a specific purpose. Some funds are required by law to exist, while others are established internally to maintain control over a particular activity. All of the City's funds are divided into two types, each of which uses a different accounting approach. The two types are 1) Governmental Funds and 2) Proprietary Funds.

Governmental Funds – Most of the City's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements.

Proprietary Funds – Riverdale City uses two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Riverdale City has four enterprise funds – water, sewer, garbage, and storm water. *Internal Service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains two internal service funds to account for its fleet and information technology systems activities. Because these services predominantly benefit government rather than business-type activities, they are included with *governmental activities* in the government-wide statements.

Differences between Government-Wide and Fund Statements

- Capital assets and long-term debt are included on the government-wide statements but are not reported on the governmental fund statements.

- Capital outlays result in capital assets on the government-wide statements but are expenditures on the governmental fund statements.
- Certain tax revenues that are earned but not yet available are reported as revenue on the government-wide statements but are deferred revenue on the governmental fund statements.

Notes to the Financial Statements

The notes found within these financial statements provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The largest component of the City's net assets, 71.1 percent, reflects investments in capital assets (land, buildings, equipment, roads, and other infrastructure) less all outstanding debt that was issued to buy or build those assets. As capital assets, these resources are not available for future spending, nor can they all be readily liquidated to pay off the related liabilities.

Restricted net assets comprise 8.2 percent of total net assets and are subject to external restrictions on how they may be used. The remaining 20.7 percent of net assets is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

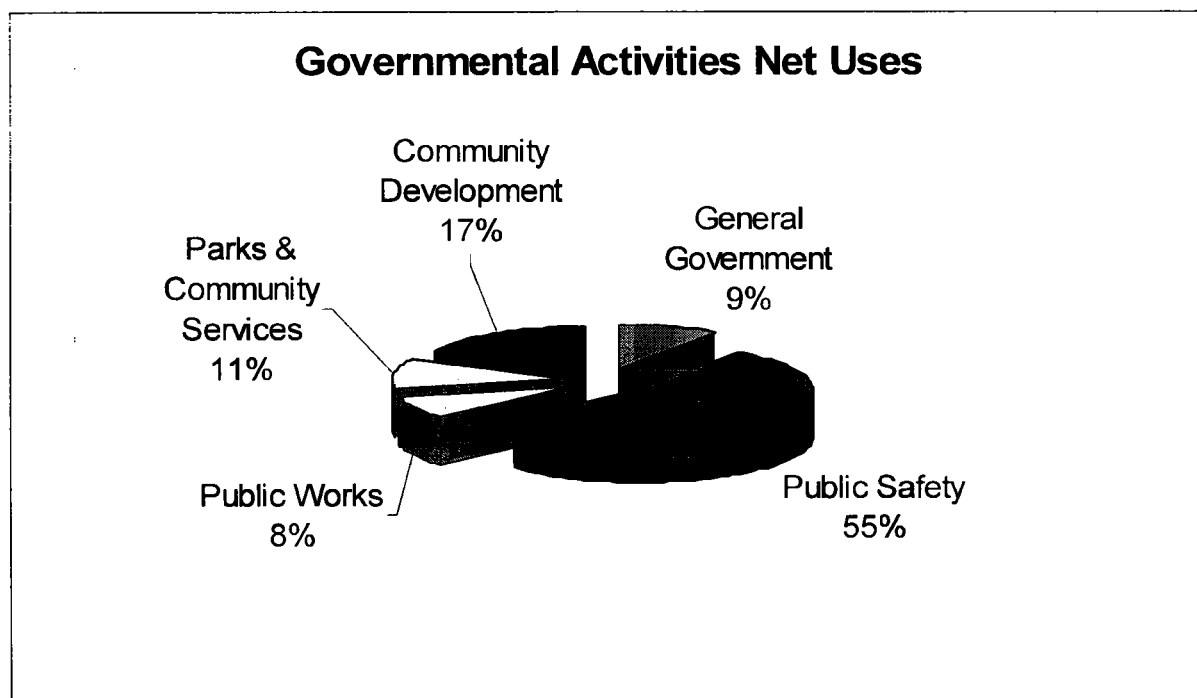
Riverdale City

Statement of Net Assets Comparative

	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities
	2006	2005	2006	2005
Current and Other Assets	6,124,292	6,644,330	3,120,022	2,661,683
Capital Assets (Net)	13,039,931	11,718,765	7,916,141	8,019,806
Total Assets	19,164,223	18,363,095	11,036,163	10,681,489
Current Liabilities	745,153	644,428	18,788	
Noncurrent Liabilities	2,174,337	2,082,039	10,725	9,079
Total Liabilities	2,919,490	2,726,467	29,513	9,079
Net Assets				
Invested in Capital Assets, Net of Related Debt	11,459,931	10,043,765	7,916,141	8,019,806
Restricted	2,235,131	2,234,738		
Unrestricted	2,549,671	3,358,125	3,090,509	2,652,604
Total Net Assets	16,244,733	15,636,628	11,006,650	10,672,410

Governmental Activities

The activities in the governmental funds resulted in an increase in net assets of \$840,727 for the year. The following chart shows by percentage the relative net uses (expenses minus any revenue directly attributed to that particular function) for governmental activities for each of the functions shown on the Statement of Activities.



Riverdale City

Changes in Net Assets Comparative

	Governmental Activities	Governmental Activities	Business- type Activities	Business- type Activities
	2006	2005	2006	2005
Program Revenues				
Charges for Services	1,199,552	834,896	1,579,983	1,457,552
Operating Grants & Contributions	312,633	295,362		
Capital Grants & Contributions		158,367		243,880
General Revenues				
Property Taxes	1,419,028	1,416,796		
Sales Tax	4,930,095	4,531,545		
Unrestricted interest earned	203,184	145,115	107,536	53,941
Other Revenues	212,023	79,288		
Total Revenues	8,276,515	7,461,369	1,687,519	1,755,373
Expenses				
General Government	1,559,457	1,478,520		
Public Safety	3,227,106	2,890,529		
Public Works	750,541	334,712		
Parks & Community Services	723,187	697,609		
Community Development	1,126,270	817,492		
Interest on long-term debt	49,227	9,043		
Public Utilities			1,353,279	1,308,467
Total Expenses	7,435,788	6,227,905	1,353,279	1,308,467
Increase in Net Assets before Transfers	840,727	1,233,464	334,240	446,906
Transfers		-25,000		25,000
Change in Net Assets	840,727	1,208,464	334,240	471,906
Net Assets Beginning	15,477,886	14,269,422	10,672,410	10,200,504
Net Assets Ending	16,318,613	15,477,886	11,006,650	10,672,410

The table below shows to what extent the City's governmental activities relied on taxes and other general revenue to cover all of their costs. These programs generated revenues of \$1,512,185 or 20.3 percent of their total expenses through charges for services and grants. Taxes and other general revenues covered the remaining 79.7 percent of expenses.

<i>Activities</i>	<i>Total Program Expenses</i>	<i>Less Program Revenues</i>	<i>Net Program Costs</i>	<i>Program Revenues as a Percentage of Total Expense</i>
General Government	\$1,559,457	\$1,006,556	(\$552,901)	64.5%
Public Safety	\$3,227,106	\$56,539	(\$3,170,567)	0.2%
Public Works	\$750,541	\$252,879	(\$497,662)	33.7%
Parks & Community Services	\$723,187	\$86,753	(\$636,434)	12.0%
Community Development	\$1,126,270	\$109,458	(\$1,016,812)	9.7%
Interest on Debt	\$49,227		(\$49,227)	0.0%
Totals	\$7,435,788	\$1,512,185	(\$5,923,603)	20.3%

Business-Type Activities

The business-type activities (water, sewer, storm-water, and garbage) are generating sufficient revenue to cover operating costs.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

Riverdale City added \$1,977,176 in new capital assets in governmental activities during the fiscal year - \$830,611 in infrastructure, \$1,146,565 in buildings, equipment and other assets.

Riverdale City added \$132,381 in new capital assets in business-type activities during the fiscal year.

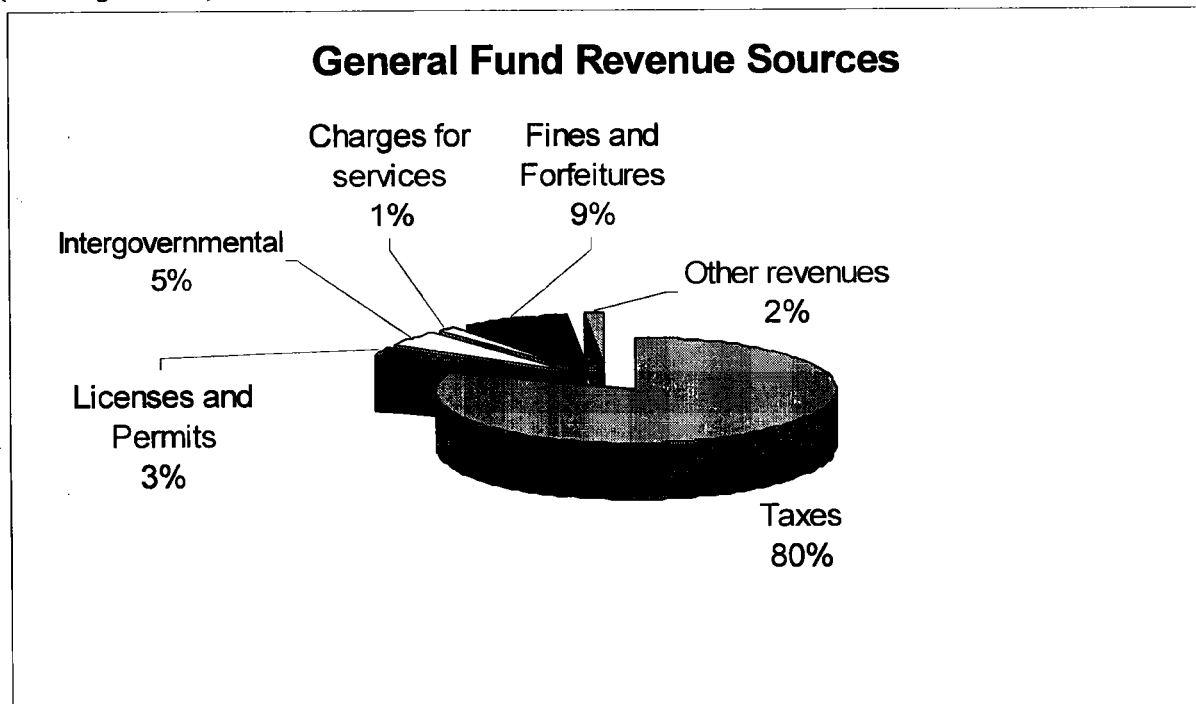
FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Fund Balances

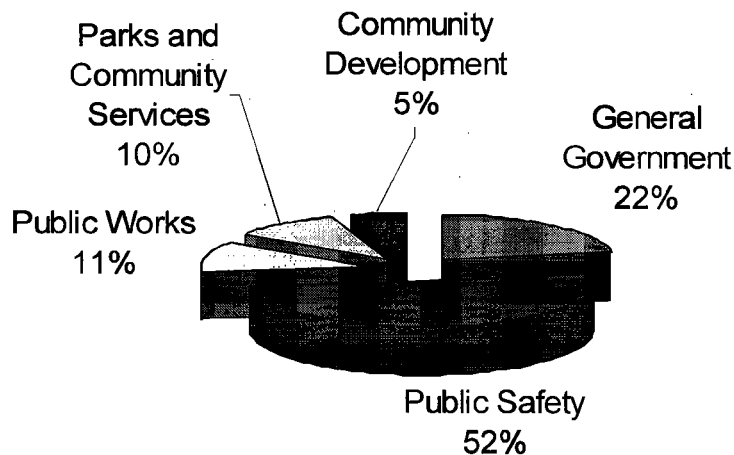
At June 30, 2006, Riverdale City's governmental funds reported combined fund balances of \$4,117,812. Of this amount, \$2,235,131 or 54.3% is reserved for specific purposes and projects. The remaining \$1,882,681 or 45.7% is unreserved. Of this amount, \$1,100,000 is in the "rainy day" fund, and \$782,681 is in the Capital Projects Fund.

General Fund

During 2006, the fund balance in the general fund decreased by \$26,481. Taxes increased \$400,782 a 6.7% increase from the previous year. Total general fund revenue was up \$656,314 or 9.3% increase. Total general fund expenditures (excluding transfers) were down \$1,108,635 or 12.0%.



General Fund Expenditures



General Fund Budgetary Highlights

Riverdale City prepares its budget according to state statutes. The most significant budget is the General Fund. The City amended the General Fund budget twice during the year to meet the needs of the departments as issues arose. The budget was increased by \$622,539. This increase was necessary to cover increases in the Fire Dept for costs related to equipment and maintenance (reimbursed by grant), and to increase the estimated transfer to other funds.

Actual General Fund revenues were \$237,606 or 3.7% above the original budget and \$709,751 or 9.7% below the final budget. Actual expenditures were \$265,425 or 4.2% below the original budget and \$262,782 or 4.1% below the final budget. The City was not required to draw upon existing fund balance in the General Fund this year to cover its expenditures.

RDA Fund

During the fiscal year, the fund balance in the Redevelopment Agency Fund increased \$259,496.

There RDA amended the RDA budget once during the year. The budget was increased by \$375,000. The budget was increased in order to accelerate the payback of the inter-fund loans from the General Fund and the Motor Pool Fund.

Capital Projects Fund

During the fiscal year, the fund balance in the Capital Projects Fund decreased \$526,046. Expenditures for the year included a variety of projects - \$7,390 for city signs, \$841,862 on street projects (roundabouts & 300 W.), \$26,707 for buildings/renovations & remodel, \$174,130 for parks and trails, and \$31,246 for equipment.

Enterprise Funds

The combined change in net assets of the enterprise funds shows an increase of \$67,157 or 2.9% from the previous year.

OTHER MATTERS

Current and Future Projects

The City will be working on street infrastructure improvements in the amount of \$325,000, parks and trails improvements in the amount of \$266,000, possible water tank replacements in the amount of \$1,300,000, sewer replacement/repair projects in the amount of \$190,000, and storm water projects in the amount of \$125,000 in the coming fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of Riverdale City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information in this report or any other matters related to the City's finances should be addressed to:

Lynn Fortie
Business Administrator
4600 S. Weber River Dr.
Riverdale

BASIC FINANCIAL STATEMENTS

RIVERDALE CITY
Statement of Net Assets
June 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 5,240,874	\$ 2,796,363	\$ 8,037,237
Accounts receivable - net	576	179,194	179,770
Property taxes receivable	333,612	-	333,612
Due from other governmental units	59,501	-	59,501
Housing loans receivable	372,355	-	372,355
Prepaid expenses	48,181	-	48,181
Investments	-	144,465	144,465
Deferred bond financing cost - net	69,193	-	69,193
Capital assets			
Land	811,347	755	812,102
Construction in process	-	-	-
Depreciable infrastructure	1,871,251	-	1,871,251
Buildings, equipment, and other depreciable assets	14,419,478	11,473,358	25,892,836
Less accumulated depreciation	(4,062,145)	(3,557,972)	(7,620,117)
Total capital assets, net	13,039,931	7,916,141	20,956,072
Total assets	\$ 19,164,223	\$ 11,036,163	\$ 30,200,386
LIABILITIES			
Accounts payable	\$ 685,089	\$ 18,788	\$ 703,877
Accrued liabilities	60,064	-	60,064
Customer deposits	82,268	-	82,268
Bonds payable - current	90,000	-	90,000
Bonds payable - noncurrent	1,490,000	-	1,490,000
Compensated absences -noncurrent	512,069	10,725	522,794
Total liabilities	2,919,490	29,513	2,949,003
NET ASSETS			
Invested in capital assets, net of related debt	11,459,931	7,916,141	19,376,072
Restricted for:			
Class C roads	316,984	-	316,984
Special revenue activities	754,434	-	754,434
Capital projects	1,163,713	-	1,163,713
Unrestricted	2,549,671	3,090,509	5,640,180
Total net assets	16,244,733	11,006,650	27,251,383
Total liabilities and net assets	\$ 19,164,223	\$ 11,036,163	\$ 30,200,386

RIVERDALE CITY
Statement of Activities
For the Year Ended June 30, 2006

Function/Programs	Program Revenues			Net (Expense) Rev & Chgs in Net Assets		
	Expenses	Operating		Primary Government		
		Charges for Services	Grants and Contributions	Capital	Governmental Activities	Business-type Activities
Primary government:						
Governmental activities:						
General government	\$ 1,633,337	\$ 995,331	\$ 11,225	\$ -	\$ (626,781)	\$ -
Public safety	3,227,106	5,598	50,941	-	(3,170,567)	-
Public works	750,541	2,412	250,467	-	(497,662)	-
Parks and community services	723,187	86,753	-	-	(636,434)	-
Community development	1,126,270	109,458	-	-	(1,016,812)	-
Interest on long-term debt	49,227	-	-	-	(49,227)	-
Total governmental activities	7,509,668	1,199,552	312,633	-	(5,997,483)	-
Business-type activities:						
Public utilities	1,353,279	1,579,983	-	-	-	226,704
Total business-type activities	1,353,279	1,579,983	-	-	-	226,704
Total primary government	\$ 8,862,947	\$ 2,779,535	\$ 312,633	\$ -	(5,997,483)	(5,770,779)
General revenues:						
Property taxes					1,419,028	1,419,028
Sales tax					4,930,095	4,930,095
Unrestricted interest earned					203,184	107,536
Miscellaneous					212,023	212,023
Total general revenues					6,764,330	107,536
Change in net assets					766,847	334,240
Net assets - beginning of year (as restated)					15,477,886	10,672,410
Net assets - end of year					\$ 16,244,733	\$ 11,006,650
					\$ 27,251,383	\$ 27,251,383

The notes to the financial statements are an integral part of this statement.

RIVERDALE CITY
Balance Sheet
Governmental Funds
June 30, 2006

	<u>General Fund</u>	<u>Redevelopment Agency</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,265,149	\$ 2,048,490	\$ 782,734	\$ 4,096,373
Restricted cash	-	38,906	-	38,906
Accounts receivable	576	-	-	576
Taxes receivable	329,799	3,813	-	333,612
Due from other governmental units	53,087	-	-	53,087
Housing loan receivable	-	372,355	-	372,355
Prepaid expenses	48,181	-	-	48,181
Total assets	<u>\$ 1,696,792</u>	<u>\$ 2,463,564</u>	<u>\$ 782,734</u>	<u>\$ 4,943,090</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 146,796	\$ 536,097	\$ 53	\$ 682,946
Accrued liabilities	60,064	-	-	60,064
Customer deposits	72,948	9,320	-	82,268
Total liabilities	<u>279,808</u>	<u>545,417</u>	<u>53</u>	<u>825,278</u>
Fund Balances:				
Fund balances reserved for:				
Class "C" roads	316,984	-	-	316,984
RDA housing	-	754,434	-	754,434
Project areas	-	1,163,713	-	1,163,713
Unreserved fund balance	1,100,000	-	782,681	1,882,681
Total fund balances	<u>1,416,984</u>	<u>1,918,147</u>	<u>782,681</u>	<u>4,117,812</u>
Total liabilities and fund balances	<u>\$ 1,696,792</u>	<u>\$ 2,463,564</u>	<u>\$ 782,734</u>	<u>\$ 4,943,090</u>

RIVERDALE CITY
Balance Sheet Reconciliation to
Statement of Net Assets
June 30, 2006

Total fund balances - governmental fund types: \$ 4,117,812

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

These assets consist of:

Land	811,347	
Construction in progress	-	
Depreciable infrastructure	1,871,251	
Buildings, equipment and other depreciable assets	14,419,478	
Accumulated depreciation	(4,062,145)	
Total capital assets		13,039,931

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of those internal service funds that primarily benefit governmental entities are included with governmental activities in the statement of net assets. (Net of capital assets included above.)

1,109,866

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Those liabilities consist of:

Compensated absences	512,069	
Bonds payable	1,580,000	
Less: Deferred charge for issuance costs, net of amortization	<u>(69,193)</u>	
		<u>(2,022,876)</u>

Net assets of government activities

\$ 16,244,733

RIVERDALE CITY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	<u>General Fund</u>	<u>Redevelopment Agency</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 5,359,703	\$ 989,420	\$ -	\$ 6,349,123
Licenses and permits	180,301	-	-	180,301
Intergovernmental	313,951	-	-	313,951
Charges for services	87,847	-	-	87,847
Fines and forfeitures	578,566	-	-	578,566
Other revenues	61,943	140,080	-	202,023
Total revenues	<u>6,582,311</u>	<u>1,129,500</u>	<u>-</u>	<u>7,711,811</u>
Expenditures:				
Current:				
General government	1,328,198	-	-	1,328,198
Public safety	3,156,155	-	-	3,156,155
Public works	689,140	-	-	689,140
Parks and community services	636,396	-	-	636,396
Community development	315,497	810,773	-	1,126,270
Capital expenditures	-	-	1,081,336	1,081,336
Debt service:				
Principal retirement	-	95,000	-	95,000
Interest and fiscal charges	-	49,227	-	49,227
Total expenditures	<u>6,125,386</u>	<u>955,000</u>	<u>1,081,336</u>	<u>8,161,722</u>
Excess (deficiency) of revenues over (under) expenditures	<u>456,925</u>	<u>174,500</u>	<u>(1,081,336)</u>	<u>(449,911)</u>
Other financing sources (uses):				
Interest income	46,106	84,996	25,777	156,879
Transfers in	-	-	529,513	529,513
Transfers out	(529,512)	-	-	(529,512)
Total other financing sources and uses	<u>(483,406)</u>	<u>84,996</u>	<u>555,290</u>	<u>156,880</u>
Net changes in fund balances	<u>(26,481)</u>	<u>259,496</u>	<u>(526,046)</u>	<u>(293,031)</u>
Fund balances - beginning	<u>1,443,465</u>	<u>1,658,651</u>	<u>1,308,727</u>	<u>4,410,843</u>
Fund balances - ending	<u>\$ 1,416,984</u>	<u>\$ 1,918,147</u>	<u>\$ 782,681</u>	<u>\$ 4,117,812</u>

RIVERDALE CITY
Statement of Changes Reconciliation to
Statement of Activities
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$ (293,031)
Governmental funds report capital outlays as expenditures (\$1,381,572). However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense (402,514). This is the amount by which capital outlays exceeded depreciation in the current period.	979,058
Adjustments and asset retirements of general government capital assets are not reported in the fund statements but are reflected in the entity-wide statement of activities.	(13,149)
Internal service funds were used by management to charge the costs of service to individual funds. The net revenue (expense) of certain activities of internal service fund is reported with governmental activities.	67,157
Governmental funds report payments on long-term liabilities as current expenses and debt issuance costs, bond premiums or discounts, when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and bond issuance costs.	90,312
Changes in general long-term liabilities are not reflected in the fund statements but are reported as part of the entity-wide statement of activities.	<u>(63,500)</u>
Change in net assets of governmental activities	<u><u>\$ 766,847</u></u>

RIVERDALE CITY
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Taxes:				
Current year property taxes	\$ 420,000	\$ 420,000	\$ 367,938	\$ (52,062)
Delinquent property taxes	10,000	10,000	12,136	2,136
Fee in lieu	50,000	50,000	49,534	(466)
Sales and use taxes	4,600,000	4,850,000	4,930,095	80,095
Total taxes	<u>5,080,000</u>	<u>5,330,000</u>	<u>5,359,703</u>	<u>29,703</u>
Licenses and Permits:				
Business licenses	60,000	60,000	65,245	5,245
Building permits	100,000	100,000	70,732	(29,268)
Building plan/development fees	50,000	50,000	38,726	(11,274)
Animal licenses	4,000	4,000	5,598	1,598
Total licenses and permits	<u>214,000</u>	<u>214,000</u>	<u>180,301</u>	<u>(33,699)</u>
Intergovernmental Revenue:				
Grants	39,375	81,627	50,941	(30,686)
Class "C" roads	250,000	250,000	250,467	467
State liquor fund allotment	8,000	8,000	11,225	3,225
DUI/seatbelt OT Reimbursement	3,000	3,000	1,318	(1,682)
Total intergovernmental revenue	<u>300,375</u>	<u>342,627</u>	<u>313,951</u>	<u>(28,676)</u>
Charges for Services:				
Recreation and user fees	111,000	111,000	86,753	(24,247)
Street repairs	3,000	3,000	506	(2,494)
Zoning and sub fees	1,000	1,000	588	(412)
Total charges for services	<u>115,000</u>	<u>115,000</u>	<u>87,847</u>	<u>(27,153)</u>
Fines and Forfeitures:	<u>479,000</u>	<u>537,541</u>	<u>578,566</u>	<u>41,025</u>
Other revenues:				
Lease revenue	12,000	12,000	12,297	297
Interest earned	31,000	31,000	46,106	15,106
Miscellaneous	159,436	731,000	24,175	(706,825)
Sale of assets	-	25,000	25,471	471
Total other revenue	<u>202,436</u>	<u>799,000</u>	<u>108,049</u>	<u>(690,951)</u>
Total revenues	<u>\$ 6,390,811</u>	<u>\$ 7,338,168</u>	<u>\$ 6,628,417</u>	<u>\$ (709,751)</u>

RIVERDALE CITY
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
General Fund
For the Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Expenditures:				
General Government:				
Legislative	\$ 137,778	\$ 137,778	\$ 111,066	\$ (26,712)
Judicial	321,508	453,181	429,313	(23,868)
City administration	472,271	340,294	304,491	(35,803)
Business administration	486,218	506,218	469,480	(36,738)
Non-departmental	-	-	13,848	13,848
Total general government	<u>1,417,775</u>	<u>1,437,471</u>	<u>1,328,198</u>	<u>(109,273)</u>
Public Safety:				
Police department	2,262,497	2,247,379	2,173,702	(73,677)
Fire department	977,421	1,010,507	982,453	(28,054)
Total public safety	<u>3,239,918</u>	<u>3,257,886</u>	<u>3,156,155</u>	<u>(101,731)</u>
Streets and Public Works	<u>642,733</u>	<u>692,733</u>	<u>689,140</u>	<u>(3,593)</u>
Parks and Community Services				
Parks department	213,230	208,230	205,126	(3,104)
Community services	523,101	462,044	431,270	(30,774)
Total parks, community services	<u>736,331</u>	<u>670,274</u>	<u>636,396</u>	<u>(33,878)</u>
Community Development	<u>354,054</u>	<u>329,804</u>	<u>315,497</u>	<u>(14,307)</u>
Total expenditures	<u>6,390,811</u>	<u>6,388,168</u>	<u>6,125,386</u>	<u>(262,782)</u>
Excess Revenues Over (Under) Expenditures	<u>-</u>	<u>950,000</u>	<u>503,031</u>	<u>(446,969)</u>
Other Financing Sources (Uses):				
Transfers out	-	(950,000)	(529,512)	420,488
Total other financing sources (uses)	<u>-</u>	<u>(950,000)</u>	<u>(529,512)</u>	<u>420,488</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>(26,481)</u>	<u>(26,481)</u>
Fund balance - beginning	<u>-</u>	<u>-</u>	<u>1,443,465</u>	<u>1,443,465</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,416,984</u>	<u>\$ 1,416,984</u>

RIVERDALE CITY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Redevelopment Agency Special Revenue Fund
Budget and Actual
For the Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:				
Property taxes	\$ 1,018,238	\$ 1,018,238	\$ 989,420	\$ (28,818)
Rents	145,800	145,800	140,080	(5,720)
Total revenues	<u>1,164,038</u>	<u>1,164,038</u>	<u>1,129,500</u>	<u>(34,538)</u>
Expenditures:				
Community development	1,045,500	1,045,500	810,773	(234,727)
Debt service:				
Principal retirement	470,000	845,000	95,000	(750,000)
Interest and fiscal charges	56,300	56,300	49,227	(7,073)
Total expenditures	<u>1,571,800</u>	<u>1,946,800</u>	<u>955,000</u>	<u>(991,800)</u>
Excess of revenues over (under) expenditures	<u>(407,762)</u>	<u>(782,762)</u>	<u>174,500</u>	<u>957,262</u>
Other financing sources (uses):				
Interest	41,500	41,500	84,996	43,496
Total other fin. sources (uses)	<u>41,500</u>	<u>41,500</u>	<u>84,996</u>	<u>43,496</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	<u>(366,262)</u>	<u>(741,262)</u>	<u>259,496</u>	<u>1,000,758</u>
Fund Balance - Beginning			<u>1,658,651</u>	<u>1,658,651</u>
Fund Balance - Ending	<u>\$ (366,262)</u>	<u>\$ (741,262)</u>	<u>\$ 1,918,147</u>	<u>\$ 2,659,409</u>

RIVERDALE CITY
Statement of Net Assets
Proprietary Funds
June 30, 2006

	Business - Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Storm Water Fund	Garbage Fund	Total Enterprise Funds	
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 1,043,651	\$ 1,048,372	\$ 601,262	\$ 103,078	\$ 2,796,363	\$ 1,105,595
Accounts receivable - net	179,194	-	-	-	179,194	-
Due from other funds	-	-	-	-	-	6,414
Investments	144,465	-	-	-	144,465	-
Total current assets	1,367,310	1,048,372	601,262	103,078	3,120,022	1,112,009
Noncurrent assets:						
Land	755	-	-	-	755	-
Buildings	797,776	-	-	-	797,776	-
Improvements	5,397,832	4,155,863	1,021,850	-	10,575,545	-
Machinery and equipment	93,943	6,094	-	-	100,037	3,135,139
Less: Accumulated depreciation	(2,125,284)	(1,385,842)	(46,846)	-	(3,557,972)	(1,856,054)
Total noncurrent assets	4,165,022	2,776,115	975,004	-	7,916,141	1,279,085
Total assets	\$ 5,532,332	\$ 3,824,487	\$ 1,576,266	\$ 103,078	\$ 11,036,163	\$ 2,391,094
LIABILITIES						
Current liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ 18,788	\$ 18,788	\$ 2,143
Total current liabilities	-	-	-	18,788	18,788	2,143
Noncurrent liabilities:						
Compensated absences	7,721	3,004	-	-	10,725	-
Total noncurrent liabilities	7,721	3,004	-	-	10,725	-
Total liabilities	7,721	3,004	-	18,788	29,513	2,143
Net Assets:						
Invested in capital assets, net of related debt	4,165,022	2,776,115	975,004	-	7,916,141	1,279,085
Unrestricted	1,359,589	1,045,368	601,262	84,290	3,090,509	1,109,866
Total net assets	5,524,611	3,821,483	1,576,266	84,290	11,006,650	2,388,951
Total liabilities and net assets	\$ 5,532,332	\$ 3,824,487	\$ 1,576,266	\$ 103,078	\$ 11,036,163	\$ 2,391,094

RIVERDALE CITY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Business - Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Storm Water Fund	Garbage Fund	Total Enterprise Funds
Operating revenues:					
Charges for services	\$ 790,361	\$ 326,417	\$ 193,352	\$ 243,228	\$ 1,553,358
Impact fees		20,628	-	-	20,628
Miscellaneous	5,997		-	-	5,997
Total operating revenues	796,358	347,045	193,352	243,228	1,579,983
Operating expenses:					
Personnel services	217,177	56,249	-	-	273,426
Contract services	278,665	205,862	11,983	228,964	725,474
Materials and supplies	38,300	11,193	2,229	-	764,460
Depreciation	133,231	83,065	19,752	-	236,048
Utilities	66,609	-	-	-	66,609
Total operating expenses	733,982	356,369	33,964	228,964	1,353,279
Operating income (expense)	62,376	(9,324)	159,388	14,264	226,704
Non-operating revenues (expenses):					
Interest income	43,185	41,404	19,043	3,904	107,536
Total nonoperating revenues	43,185	41,404	19,043	3,904	107,536
Change in net assets	105,561	32,080	178,431	18,168	334,240
Total net assets - beginning	5,419,050	3,789,403	1,397,835	66,122	10,672,410
Total net assets - ending	\$ 5,524,611	\$ 3,821,483	\$ 1,576,266	\$ 84,290	\$ 11,006,650

The notes to the financial statements are an integral part of this statement.

RIVERDALE CITY
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	Business - Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Water Fund	Sewer Fund	Storm Water Fund	Garbage Fund	Total Enterprise Funds	
Cash Flows From Operating Activities:						
Receipts from customers	\$ 745,695	\$ 326,417	\$ 193,352	\$243,228	\$ 1,508,692	\$ -
Receipts from interfund services provided	-	-	-	-	-	601,520
Receipts from other activities	5,997	20,628	-	-	26,625	10,000
Payments to suppliers	(383,574)	(217,055)	(14,212)	(210,176)	(825,017)	(75,381)
Payments to employees	(215,237)	(56,543)	-	-	(271,780)	-
Net cash provided (used) by operating activities	152,881	73,447	179,140	33,052	438,520	536,139
Cash Flows From Capital and Related Financing Activities:						
Purchases of capital assets	(19,590)	(42,602)	(70,191)	-	(132,383)	(607,905)
Net cash provided (used) by capital and related financing activities	(19,590)	(42,602)	(70,191)	-	(132,383)	(607,905)
Cash Flows From Investing Activities:						
Interest earned on cash deposits	43,185	41,404	19,043	3,904	107,536	46,305
Net cash provided (used) by investing activities	43,185	41,404	19,043	3,904	107,536	46,305
Net increase (decrease) in cash and cash equivalents	176,476	72,249	127,992	36,956	413,673	(25,461)
Cash and cash equivalents - beginning	867,175	976,123	473,270	66,122	2,382,690	1,131,056
Cash and cash equivalents (deficit) - end	<u>\$1,043,651</u>	<u>\$ 1,048,372</u>	<u>\$ 601,262</u>	<u>\$103,078</u>	<u>\$ 2,796,363</u>	<u>\$ 1,105,595</u>
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income	\$ 62,376	\$ (9,324)	\$ 159,388	\$ 14,264	\$ 226,704	\$ 20,852
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation expense	133,231	83,065	19,752	-	236,048	266,644
(Incr) decr in accounts receivable	(44,666)	-	-	-	(44,666)	-
(Incr) decr in due from other funds	-	-	-	-	-	250,000
Incr (decr) in accounts payable	-	-	-	18,788	18,788	(1,357)
Incr (decr) in compensated absences	1,940	(294)	-	-	1,646	-
Total adjustments	90,505	82,771	19,752	18,788	211,816	515,287
Net cash provided (used) by operating activities	<u>152,881</u>	<u>73,447</u>	<u>179,140</u>	<u>33,052</u>	<u>438,520</u>	<u>536,139</u>
Noncash capital financing activities:						
Contributions by developers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

RIVERDALE CITY
Notes to the Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies

Riverdale City (City) was incorporated on March 4, 1946. The City operates under a traditional form of government and provides the following services as authorized by its character: public safety, public utilities, streets and highways, garbage collection, culture, recreation, public improvements, planning and zoning, and general administrative services. The financial statements of Riverdale City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting Entity

As required by generally accepted accounting principles, these financial statements present Riverdale City (the primary government) and its component units. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationships with the City.

Blended Component Unit

Riverdale Redevelopment Agency (RDA). - RDA is governed by a board of directors comprised of the Mayor and City Council of Riverdale City. Although it is legally separate from the City, the RDA is reported as if it were part of the primary government because its sole purpose is to redevelop areas within the City thereby generating additional property tax and sales tax.

B. Government-wide and Fund Financial Statements

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole, while the fund statements focus on individual funds.

Government-wide Financial Statements

The government-wide statements present information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of inter-fund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities.

The Statement of Net Assets presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

RIVERDALE CITY
Notes to the Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies - Continued

B. Government-wide and Fund Financial Statements – Continued

Fund Financial Statements

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and statutory mandate. The various funds are grouped, in the financial statements in this report, into fund types and categories as follows:

Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources of the City not accounted for by a separate, specialized fund.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes. The City's Redevelopment Agency Fund is reported as a special revenue fund.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital improvements.

Proprietary Fund Types:

Enterprise Fund - The Enterprise Fund is used to account for operations that (a) are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes. The City operates the water, sewer, storm drain, and garbage activities in the enterprise funds. Each is considered a major proprietary fund.

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government units, on a cost reimbursement basis. The City operated the motor pool and information technology funds as an internal service fund.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds are accounted using a current resource measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

RIVERDALE CITY
Notes to the Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies – Continued

C. Measurement Focus and Basis of Accounting- Continued

All proprietary funds are accounted for using a current resource measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in net total assets.

All governmental funds are accounted for using the modified accrual basis of accounting. That is, revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or 60 days thereafter to be used to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued in the individual funds because the current portion of these items cannot be reasonably estimated and (2) principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The City applies only the applicable FASB pronouncements issued on or before November 30, 1989.

D. Budgets

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act of Utah" by the City Council on or before June 22nd for the following fiscal year which begins on July 1. Budgets may be increased by resolution of the City Council at any time during the year, following a public hearing. Budgets are prepared in line-item detail; however, budget amendments by resolution are generally required only if the fund exceeds its total budget appropriation. Annual budgets are adopted for all governmental fund types. All annual appropriations lapse at the fiscal year end.

Utah State allows for any undesignated fund balances in excess of 5% of total revenue of the general fund to be utilized for budget purposes. The law also allows for the accumulation of a fund balance in the general fund in an amount equal to 18% of the total estimated revenue of the general fund. In the event that the fund balance, at the end of the fiscal year, is in excess of that allowed, the City has one year to determine an appropriate use and then the excess must be included as an available resource in the general fund budget.

E. Capital Assets

Capital assets, which include land, buildings, property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 (for infrastructure assets \$50,000) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

RIVERDALE CITY
Notes to the Financial Statements
June 30, 2006

Note 1 - Summary of Significant Accounting Policies - Continued

E. Capital Assets - Continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of these assets is computed by use of the straight-line method over their estimated useful lives as follows:

Buildings and improvements	40 Years
Wells	50 Years
Water distribution systems	50 Years
Sewer collection system	50 Years
Infrastructure and improvements	20 Years
Machinery and equipment	5-15 Years
Other improvements	10-30 Years

F. Reservation of Fund Balance/Retained Earnings

The City is required to reserve part of the fund balance of the general fund to account for the unexpected portions of certain types of revenue. The reserved fund balance is for class "C" road revenue. The Redevelopment Agency has reserved fund balance for RDA Housing loans and for expenditures in the redevelopment project areas.

G. Cash and Cash Equivalents

For purposes of the statement of cash flows, the proprietary fund types consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Accounting Changes and Restatements

Riverdale City has implemented GASB Statement 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3* one year earlier than required. As a result, the disclosures in Note 3 related to the City's deposit and investment risks have been changed.

Note 3 - Deposits and Investments

Deposits and investments for Riverdale City are governed by the Utah Money Management Act (*UtahCode Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the City's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*,

RIVERDALE CITY
Notes to the Financial Statements
June 30, 2006

Note 3 - Deposits and Investments – Continued

defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's bank balances at June 30, 2006 were \$10,788, of which \$0 was uninsured and uncollateralized.

Investments. Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's policy for custodial credit risk of investments is to comply with the Money Management Act. The \$281,514 of the City's investment in a certificate of deposit is insured up to \$100,000 and is in the City's name. Therefore \$181,514 of the City's investments is exposed to custodial credit risk.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories; repurchase agreements; commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poors; bankers acceptances; obligations of the U.S. Treasury and U.S. government sponsored enterprises; bonds and notes of political subdivisions of the State of Utah; fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations; and shares in a money market fund as defined in the Act. The City is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. Following are the City's investments at June 30, 2006:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Quality Ratings</u>
PTIF Investments	\$ 7,622,919	54 days*	not rated
Certificate of Deposit	281,514	4/24/07	not rated
Total	<u>\$ 7,904,433</u>		

* Weighted-average maturity

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. Maturities of the City's investments are noted in the previous table.

RIVERDALE CITY
Notes to the Financial Statements
June 30, 2006

Note 4 - Accounts Receivable

Accounts receivable are recorded net of the allowance for doubtful accounts of \$17,000 in the enterprise funds.

Note 5 - Interfund Notes Receivable/Payable

The RDA Fund borrowed \$500,000 from the General Fund and \$250,000 from the Motor Pool Fund for senior center expenditures in prior years. According to the terms of the promissory notes, the RDA promises to pay the General Fund ten annual amounts of \$50,000 commencing December 31, 2006 and \$25,000 each year to the Motor Pool Fund until fully repaid. The notes bear no interest and were repaid in full by June 30, 2006.

Note 6 - Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Governmental activities:				
Capital assets, not being depreciated:				
Land	811,347	-	-	811,347
Construction in process	3,484,632	279,120	-3,763,752	-
Total	4,295,979	279,120	-3,763,752	811,347
Capital assets, being depreciated:				
Buildings and improvements	5,307,325	3,786,043	-	9,093,368
Other improvements	1,136,503	174,077	-	1,310,580
Machinery and equipment	3,386,109	671,077	-41,656	4,015,530
Infrastructure	1,040,640	830,611	-	1,871,251
Total	10,870,577	5,461,808	-41,656	16,290,729
Less accumulated depreciation for:				
Buildings	(1,213,900)	(228,126)	-	(1,442,026)
Other improvements	(167,135)	(51,871)	-	(219,006)
Machinery and equipment	(2,023,796)	(338,026)	54,804	(2,307,018)
Infrastructure	(42,960)	(51,135)	-	(94,095)
Total	(3,447,791)	(669,158)	54,804	(4,062,145)
Capital assets, being depreciated, net	7,422,786	4,792,650	13,148	12,228,584
	11,718,765	5,071,770	(3,750,604)	13,039,931

RIVERDALE CITY
Notes to the Financial Statements
June 30, 2006

Note 6 - Capital Assets – Continued

	Balance June 30, 2006	Additions	Deletion	Balance June 30, 2006
Business-type activities:				
Capital assets, not being depreciated:				
Land	755	-	-	755
Total	755	-	-	755
Capital assets, being depreciated:				
Buildings	797,776	-	-	797,776
Improvements	10,445,914	129,631	-	10,575,545
Equipment	97,288	2,750	-	100,038
Total	11,340,978	132,381	-	11,473,359
Less accumulated depreciation for:				
Buildings	(265,619)	(13,296)	-	(278,915)
Improvements	(3,002,555)	(213,884)	-	(3,216,439)
Equipment	(53,753)	(8,867)	-	(62,620)
Total accumulated depreciation	(3,321,927)	(236,047)	-	(3,557,974)
Capital assets, being depreciated, net	8,019,051	(103,666)	-	7,915,385
Business-type activities capital assets, net	8,019,806	(103,666)	-	7,916,140

Depreciation expense was charged to functions of the primary government as follows:

Governmental activities:	
General government	175,755
Public safety	70,951
Public works	69,017
Parks and community services	86,791
Depreciation on capital assets of the City's internal service funds is charged to the various functions based on their usage of assets	266,644
Total depreciation expense - governmental activities	<u>669,158</u>
Business-type activities:	
Enterprise fund	236,047
Total depreciation expense - business-type activities	<u>236,047</u>

Note 7 - Developer Contributions

The water, sewer and storm sewer funds regularly receive contributions from sub dividers for the extension of water and sewer lines. Private developers construct water and sewer transmission systems at their own cost. Occasionally the City constructs large trunk lines. The current year additions by developers totaled \$0 for water, sewer, and storm drain systems.

RIVERDALE CITY
Notes to the Financial Statements
June 30, 2006

Note 8 - Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and personal leave pay benefits. Vacation and compensatory leave are recorded as an expenditure when used in governmental funds and as an expense when earned in proprietary funds and in the governmental-wide statements. A liability for unused vacation and compensatory leave is recorded in the governmental-wide statement of net assets.

Note 9 - Retirement Plans

Plan Description

Riverdale City contributes to the Local Governmental Contributory Retirement System (Contributory System), Local Governmental Non-contributory (Noncontributory System), Public Safety Retirement System (Public Safety System) for employers with (without) Social Security coverage, Firefighters Retirement System (Firefighters System) which is for employers with (without) Social Security coverage, all of which cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System, Local Governmental Non-contributory Retirement System and Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems at 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

Plan members enrolled in the contributory type system are required to contribute a percentage of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong; 6.00% to the Contributory, and 8.61% to the Firefighters Retirement Systems respectively. Riverdale City is required to contribute a percent of covered salary to the respective systems, 7.08% to the Contributory, 11.09% to the Noncontributory, and 19.34% to the Public Safety Noncontributory Systems. The contribution rate is actuarially determined. The contribution requirements of the System is authorized by statute and specified by the Board.

The City's contributions to the various systems for June 30, 2006, 2005 and 2004 were as follows:

A. Local Governmental System – Contributory

<u>2006</u>	<u>2005</u>	<u>2004</u>	
\$ 7,495	12,328	12,724	Employer paid for employee contributions
8,844	14,611	11,898	Employer contributions
124,922	206,378	212,078	Salary subject to contributions

B. Local Governmental System – Noncontributory

<u>2006</u>	<u>2005</u>	<u>2004</u>	
\$ 130,250	109,371	91,022	Employer contributions
1,174,478	1,136,917	1,047,433	Salary subject to contributions

RIVERDALE CITY
Notes to the Financial Statements
June 30, 2006

Note 9 - Retirement Plans - Continued

C. Utah Public Retirement System – Public Safety

<u>2006</u>	<u>2005</u>	<u>2004</u>	
\$ 158,320	115,511	133,353	Employer contributions
818,616	794,083	821,140	Salary subject to contributions

D. 401(K) Plan

<u>2006</u>	<u>2005</u>	<u>2004</u>	
\$ 43,275	43,648	42,005	Employer paid for employee contributions

Note 10 - Deferred Compensation Plan

The City also provides through ICMA a 457 deferred compensation plan to City employees. The plan, created in accordance with Internal Revenue Code Section 457, allows City employees to defer a portion of their salary until future years. For fiscal year 2006, the City contributed the difference between 17.40% and the amount contributed to the Utah Retirement Systems plans to the employees' 457 account.

Note 11 – Inter-fund Transfers

Transfers were made which will not be repaid. Such amounts for the fiscal year ended June 30, 2006 were as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Activities		
General	\$ -	\$ 529,513
Capital Projects	529,513	-
	<u>529,513</u>	<u>529,513</u>

The purpose of the interfund transfers is to meet the City's ongoing need for capital improvements.

Note 12 - Budgetary Accounting and Tax Calendar

The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed revenues and appropriated fund balances. Budgets are required by the State of Utah for the general, special revenue, debt service and capital improvement funds. The legal level of control required by the State of Utah is at the department level. The City's budget is a financial plan of all estimated revenues and all appropriations for expenditures. Revenues and expenditures must balance.

The budget is prepared sometime between the 1st of March and the 1st of May. A tentative budget is presented by the City Administrator to the City Council by the first regularly scheduled council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than the first meeting in May. The tentative budget is a public record and is available for inspection at the City Treasurer and the City Recorder's Office for at least ten days prior to adoption of the final budget. Notice of a public hearing on adoption on the final budget is published seven days prior to the public hearing. The public hearing on the tentatively adopted

RIVERDALE CITY
Notes to the Financial Statements
June 30, 2006

Note 12 - Budgetary Accounting and Tax Calendar- Continued

budget is held prior to final adoption. Final adjustments are made to the tentative budget by the Council after the public hearing. The final budget is adopted by ordinance before June 22nd and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.

In connection with budget adoption an annual tax ordinance establishing the tax rate is adopted before June 22nd and the City Recorder is to certify the tax rate to the County Auditor before June 22nd. Budgets for the general, special revenue, debt service and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). The above procedures are authorized by the Utah Code Sections 10-6-109 through 10-6-135.

Property Tax Calendar

<u>Duties to be Completed</u>	<u>Authorizing Statute</u>	<u>Statute Date</u>
Lien date	59-2-103 59-2-1302	01/01
Taxing Districts with June year end notify county commission of date, time and place of public hearing	59-2-919	03/01
County treasurer to settle taxes charged and collected for previous year	59-2-1365	03/31 1st scheduled council meeting in May
Budget officer shall prepare and file with council a tentative budget	10-6-111	
County auditor sends valuation, certified tax rate and levy work sheets to each taxing district	59-2-924	06/01
Taxing District must adopt a proposed tax rate, certify the rate and levy and submit to county auditor	59-2-912	before 6/22
County to set proposed tax rates	59-2-909	06/22
Taxing districts adopt tentative budgets and notify county of intent to exceed certified rate	59-2-924(3)	06/22
County auditor to submit levy worksheets and supporting documentation to tax commission	59-2-913	06/22
Copy of final budget to state auditor within 30 days of adoption	10-6-118	09/17
County treasurer to mail tax notice	59-2-1317	11/01
County auditor delivers assessment roll with affidavit to tax commission	59-2-326	11/01
Payment and delinquency date	59-2-1331	11/30
Delinquency list published	59-2-1332.5	12/31

RIVERDALE CITY
Notes to the Financial Statements
June 30, 2006

Note 13 - Redevelopment Agency

The Redevelopment Agency (RDA) collected tax increments of \$329,650 for the Riverdale road area, \$223,222 for the 1050 West area and \$413,300 for the Weber River area. There were no tax increments paid to any other taxing agency. The RDA has one outstanding bond associated with the Senior Center project. The outstanding principal amount of debt issued for this project at June 30, 2006 was \$1,580,000. The RDA has entered into agreements with certain developers that require continuing payments to those developers from the RDA through fiscal year 2017. The RDA is presently holding funds until certain developer improvements are accepted by the City as complete.

The RDA expended funds in the following areas:

Development payments	\$ 399,302
Administrative cost	50,736

Note 14 - Contingent Liabilities

Amounts received or receivables from grantor agencies are subject to audit and adjustment by those grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Note 15 - Risk Management

Riverdale City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage.

Note 16 - Long term Debt

The government issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. No amounts outstanding at the end of the current fiscal year related to bonds issued in prior years. During the year \$1,675,000 of revenue bonds were issued to finance construction of the senior center.

Long-term debt includes the following bonds payable:

	Balance July 1, 2005	Issued	Retired	Balance June 30, 2006
Governmental activities:				
Redevelopment Agency Tax Increment Revenue Bonds Series 2006 payable in annual installments of \$90,000 to \$125,000 through 2021. Interest rate of 3.0%.	1,675,000	0	95,000	1,580,000
	1,675,000	0	95,000	1,580,000

RIVERDALE CITY
Notes to the Financial Statements
June 30, 2006

Note 17 – Long-term Debt – Continued

Annual debt service requirements to maturity of the bonds are as follows:

Year Ending June 30	Principal	Interest	Total Debt Service
2007	\$ 90,000	\$ 64,419	\$ 154,419
2008	90,000	60,621	150,621
2009	95,000	56,681	151,681
2010	100,000	52,669	152,669
2011-2015	530,000	198,351	728,351
2016-2020	550,000	84,532	634,532
2021	125,000	2,800	127,800
	<u>\$ 1,580,000</u>	<u>\$ 520,073</u>	<u>\$ 2,100,073</u>

Changes in Long-term Debt

During the year ended June 30, 2006 the following activity occurred in liabilities reported as long-term:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bond payable	\$ 1,675,000	-	95,000	1,580,000	90,000
Compensated absences	<u>502,039</u>	<u>10,030</u>	<u>-</u>	<u>512,069</u>	<u>-</u>
Total	<u>\$ 2,177,039</u>	<u>10,030</u>	<u>95,000</u>	<u>2,092,069</u>	<u>90,000</u>
Business-type activities:					
Compensated absences	<u>\$ 9,079</u>	<u>1,646</u>	<u>-</u>	<u>10,725</u>	<u>-</u>

Note 18 – Prior Period Adjustment

The Redevelopment Agency beginning fund balance was restated as a result of a prior period adjustment. The adjustment was made to accrue contractual amounts due developers based on prior year tax increment receipts.

Redevelopment Agency Fund	
Fund balance at June 30, 2005 as previously reported	\$ 1,891,273
Prior period adjustment to accrue obligations	<u>(232,622)</u>
Beginning fund balance as restated	<u>\$ 1,658,651</u>

SUPPLEMENTAL INFORMATION

RIVERDALE CITY
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects
For the Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures:				
Capital expenditures	884,600	884,600	1,081,336	196,736
Total expenditures	884,600	884,600	1,081,336	196,736
Excess of revenues over (under) expenditures	(884,600)	(884,600)	(1,081,336)	(196,736)
Other financing sources (uses):				
Interest income	14,000	14,000	25,777	11,777
Use of fund balance	669,141	669,141	-	(669,141)
Transfers in	201,459	201,459	529,513	328,054
Total other financing sources (uses)	884,600	884,600	555,290	(329,310)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	-	-	(526,046)	(526,046)
Fund Balances - Beginning	-	-	1,308,727	1,308,727
Fund Balances - Ending	\$ -	\$ -	\$ 782,681	\$ 782,681

RIVERDALE CITY
Combining Statement of Net Assets
Internal Service Funds
June 30, 2006

	Information Technology Fund	Motor Pool Fund	Total
ASSETS			
Current Assets:			
Cash	\$ 331,893	\$ 773,702	\$ 1,105,595
Due from other funds	6,414	-	6,414
Total current assets	<u>338,307</u>	<u>773,702</u>	<u>1,112,009</u>
Noncurrent Assets:			
Machinery and equipment	275,221	2,859,918	3,135,139
Accumulated depreciation	<u>(161,936)</u>	<u>(1,694,118)</u>	<u>(1,856,054)</u>
Total noncurrent assets	<u>113,285</u>	<u>1,165,800</u>	<u>1,279,085</u>
Total assets	<u><u>\$ 451,592</u></u>	<u><u>\$ 1,939,502</u></u>	<u><u>\$ 2,391,094</u></u>
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts payable	\$ 2,143	\$ -	\$ 2,143
Total current liabilities	<u>2,143</u>	<u>-</u>	<u>2,143</u>
Net assets:			
Investment in capital assets, net of related debt	113,285	1,165,800	1,279,085
Unrestricted	<u>336,164</u>	<u>773,702</u>	<u>1,109,866</u>
Total net assets	<u>449,449</u>	<u>1,939,502</u>	<u>2,388,951</u>
Total liabilities and net assets	<u><u>\$ 451,592</u></u>	<u><u>\$ 1,939,502</u></u>	<u><u>\$ 2,391,094</u></u>

RIVERDALE CITY
Combining Statement of Revenues, Expenditures, and Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2006

	Information Technology Fund	Motor Pool Fund	Total Internal Service Funds
Operating revenues:			
Charges for services	\$ 72,652	\$ 278,868	\$ 351,520
Miscellaneous revenue	-	10,000	10,000
Total operating revenues	<u>72,652</u>	<u>288,868</u>	<u>361,520</u>
Operating expenses:			
Materials and maintenance	53,423	4,838	58,261
Depreciation	32,456	234,188	266,644
Utilities	10,133	5,630	15,763
Total operating expenses	<u>96,012</u>	<u>244,656</u>	<u>340,668</u>
Operating income (loss)	<u>(23,360)</u>	<u>44,212</u>	<u>20,852</u>
Non-operating revenues (expenses):			
Interest income	<u>13,842</u>	<u>32,463</u>	<u>46,305</u>
Total non-operating revenues (expenses)	<u>13,842</u>	<u>32,463</u>	<u>46,305</u>
Change in net assets	<u>(9,518)</u>	<u>76,675</u>	<u>67,157</u>
Net assets - beginning of year	<u>458,967</u>	<u>1,862,827</u>	<u>2,321,794</u>
Net assets - end of year	<u><u>\$ 449,449</u></u>	<u><u>\$ 1,939,502</u></u>	<u><u>\$ 2,388,951</u></u>

RIVERDALE CITY
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2006

	Information Technology Fund	Motor Pool Fund	Total
Cash Flows From Operating Activities:			
Receipts from interfund services provided	\$ 72,652	\$ 528,868	\$ 601,520
Receipts from other activities	-	10,000	10,000
Payments to suppliers	(64,913)	(10,468)	(75,381)
Net cash provided (used) by operating activities	<u>7,739</u>	<u>528,400</u>	<u>536,139</u>
Cash Flows From Capital and Related Financing Activities:			
Purchases of capital assets	(23,592)	(584,313)	(607,905)
Proceeds from sale of assets	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(23,592)</u>	<u>(584,313)</u>	<u>(607,905)</u>
Cash Flows From Investing Activities:			
Interest earned on cash deposits	<u>13,842</u>	<u>32,463</u>	<u>46,305</u>
Net cash provided (used) by investing activities	<u>13,842</u>	<u>32,463</u>	<u>46,305</u>
Net increase (decrease) in cash and cash equivalents	(2,011)	(23,450)	(25,461)
Cash and cash equivalents - beginning	<u>333,904</u>	<u>797,152</u>	<u>1,131,056</u>
Cash and cash equivalent - ending	<u><u>\$ 331,893</u></u>	<u><u>\$ 773,702</u></u>	<u><u>\$ 1,105,595</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ (23,360)	\$ 44,212	\$ 20,852
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	32,456	234,188	266,644
Change in assets and liabilities:			
(Increase) decrease in due from other funds	-	250,000	250,000
Increase (decrease) in accounts payable	(1,357)	-	(1,357)
Total adjustments	<u>31,099</u>	<u>484,188</u>	<u>515,287</u>
Net cash provided (used) by operating activities	<u><u>\$ 7,739</u></u>	<u><u>\$ 528,400</u></u>	<u><u>\$ 536,139</u></u>

STATISTICAL SECTION

RIVERDALE CITY
Supplementary Schedule of Impact Fees
For the Year Ended June 30, 2006

<u>Year</u>	<u>Fees Collected</u>	<u>Balance</u>
Beginning Balance¹		(\$398,132.76)
1997	40,094.07	(358,038.69)
1998	52,699.53	(305,339.16)
1999	58,646.36	(246,692.80)
2000	22,975.42	(223,717.38)
2001	12,769.22	(210,948.16)
2002	13,213.51	(197,734.65)
2003	28,880.80	(168,853.85)
1997	43,185.29	(125,668.56)
2005	22,622.16	(103,046.40)
2006	18,226.91	(84,819.49)

¹Riverdale City expended \$589,653 for this project in fiscal year 1997. Only \$398,132.76 could be attributed to new development. The impact fee was imposed to recapture the dollars spent in 1997.

REPORTS

Honorable Mayor and City Council
Riverdale City, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Riverdale City as of and for the year ended June 30, 2006, which collectively comprise Riverdale City's basic financial statements and have issued our report thereon dated October 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Riverdale City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Riverdale City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Mayor, City Council, and State agencies. However, this report is a matter of public record and its distribution is not limited.

Litz & Company, P.C.

October 1, 2006

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Independent Auditors' State Legal Compliance Report

Honorable Mayor and City Council
Riverdale City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Riverdale City, for the year ended June 30, 2006, and have issued our report thereon dated October 1, 2006. As part of our audit, we have audited Riverdale City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major state assistance programs from the State of Utah:

B&C Road Funds (Department of Transportation)

The City also received the following nonmajor grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of Riverdale City's financial statements.)

Liquor Law Enforcement (State Tax Commission)
COPS Grant (Department of Public Safety)
Bullet Proof Vest (Department of Public Safety)
Fire Grant (Department of Public Safety)

Our audit also included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Special Districts
Cash Management	Other General Issues
Purchasing Requirements	Uniform Building Code Standards
Budgetary Compliance	Truth in Taxation & Property Tax Limits
Liquor Law Enforcement	Justice Court
B&C Road Funds	Impact Fees and Other Development Fees

The management of Riverdale City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are outlined in the accompanying Schedule of State Findings and Questioned Costs.

In our opinion Riverdale City complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Litz & Company, P.C.

October 1, 2006

RIVERDALE CITY
Schedule of State Findings and Questioned Costs
June 30, 2006

CASH MANAGEMENT

Finding: The Utah Code requires public treasurers to maintain fidelity bond coverage as outlined by the code section. Although Riverdale City has fidelity bond coverage, the policy period doesn't correspond with the fiscal year of the City. We noted that for the first part of the year the coverage was lower than that required until the policy renewal date at which time the policy amount was increased to comply with the code.

Recommendation: The City should change the renewal date of its fidelity bond policy coverage to coincide with the City's fiscal year. This will avoid the current problem of being under covered during part of the year. The City should also seek to ensure that the coverage is adequate by performing the calculated amounts each year with the insurance carrier.

Questioned Costs

\$ -0-

Response: The City has already moved the fidelity bond coverage to correspond with our fiscal year. The City has paid a prorated amount on the last billing and changed the renewal date with our agent.

BUDGETARY COMPLIANCE

Finding: The Utah Code requires that municipal expenditures not exceed budgetary amounts on a departmental level. During the year, the City overspent its budget for the Capital Projects Fund.

Recommendation: The City should seek to comply with the budgetary requirements of the Utah Code by reviewing its budget to actual reports. Expenditures should be limited to approved budgetary amounts. Should additional funding be necessary then budget hearing should be scheduled and the appropriate modifications to the budget made to comply with this requirement.

Questioned Costs

\$196,735

Response: The City will ensure that all governmental funds are not overspent. Should a change be necessary to the budget, the City will go through the appropriate public processes.

CLASS C ROAD FUNDS

Finding: The Utah Code requires cities to place contract retentions in an interest bearing account for the benefit of the contractor. When all work is complete and accepted by the city, the interest accrued on the retention is to be paid to the contractor. During our audit we noted the City has not been holding contract retention amounts in an interest bearing account and have not paid the interest to contractors upon project acceptance by the City.

Recommendation: The City should either place the retention amounts into a separate interest bearing account or track the amount separately as a component of the pooled cash fund until paid. If the City uses the pooled cash method, then interest earnings should be allocated based on the actual rates received in the pooled cash account. Upon acceptance of the project, the interest in the retentions should be paid to the contractor.

Questioned Costs

\$156

Response: The City will comply with paying interest on any retention withheld on Class C Road Fund projects.